

Message Text

CONFIDENTIAL

PAGE 01 LA PAZ 10123 232045Z
ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 PRS-01 SP-02
OMB-01 FEA-01 USIE-00 SSO-00 NSCE-00 INRE-00 IO-13
NEA-10 /125 W

-----232057Z 111299 /67

O R 232030Z DEC 76
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC IMMEDIATE 3559
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY KINSHASA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LAGOS
AMEMBASSY LONDON

C O N F I D E N T I A L LA PAZ 10123

E.O. 11652: GDS
TAGS: EMIN, ITC, BL
SUBJ: BOLIVIAN OFFICIAL REACTION TO NEW ITC BUFFER STOCK FLOOR
AND CEILING PRICES

REF: STATE 309351

1. SUMMARY: INFORMATION FROM BOLIVIAN SOURCES SUGGESTS CLEARLY
THAT BOLIVIA WILL NOT RATIFY FIFTH ITA BY DECEMBER -#. BOLIVIANS
REGRET WHAT THEY VIEW AS UNNECESSARILY TOUGH US POSITION ON BSM
PRICES. EMBASSY WILL COMMENT LATER ON RELATIONSHIP BOLIVIAN COST
DATA AND INFORMATION IN REFTEL. WE ARE CONCERNED THAT DECEMBER
MEETING RESULTED IN MARKED DIVERGENCE BETWEEN US AND BOLIVIA
WHICH MAY HARM OTHER US INTERESTS AND MAY HAVE ADVERSE AFFECT ON
TIN AGREEMENT. END SUMMARY.
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PAGE 02 LA PAZ 10123 232045Z

2. IN EXTENSIVE CONVERSATION WITH CARLOS ITURRALDE ON DECEMBER
20, HE INDICATED THAT IN ALL LIKELIHOOD BOLIVIA WOULD REFUSE TO
RATIFY THE FIFTH INTERANTIONAL TIN AGREEMENT. HE SAID HE WOULD
MAKE THAT RECOMMENDATION HIMSELF TO THE MINISTER OF MINES IN A
MEETING HELD DECEMBER 21 AND THAT THE MINISTER WOULD TAKE THAT

POSITION TO THE CABINET ON DECEMBER 23. OTHER SOURCES IN THE GOB CONFIRM THAT IT IS MOST LIKELY THAT BOLIVIA WILL DECIDE NOT TO RATIFY. THE POSITION TAKEN BY THE BOLIVIAN DECISION-MAKERS ON TIN POLICY IS THAT HOLDING BACK ON RATIFICATION IS THE ONLY LEVER AVAILABLE TO THEM TO OBTAIN WHAT THEY CONSIDER TO BE MORE APPROPRIATE BUFFER STOCK PRICES.

3. ITURRALDE AND OTHER BOLIVIAN MINERS HAVE EXPRESSED SADNESS AND DISAPPOINTMENT AT WHAT THEY TERM THE INFLEXIBLE USG POLICY IN THE COUNCIL MEETINGS WHICH HAS RESULTED IN AN ANTAGONISTIC POSITION BETWEEN THE WORLD'S RICHEST COUNTRIES AND ONE OF THE POOREST WHICH UNFORTUNATELY HAS HIGH-COST TIN. ITURRALDE SAID THE US KNEW FULL WELL THAT THE COMPROMISE PROPOSAL WOULD PASS AND DELIBERATELY VOTED AGAINST IT WHICH MAKES IT DIFFICULT FOR PRODUCERS IN LDCS TO COMPREHEND HOW US BUREAUCRATS OPERATE AFTER SECRETARY KISSINGER HAS PUBLICLY STATED THAT THE US WILL HAVE COME COMPASSIONATE AND UNDERSTANDING COMMODITY POLICY.

4. ITURRALDE SAID THAT EARLY IN THE LAST MEETING THE FRENCH, ACTING ON BEHALF OF THE CONSUMERS, OFFERED TO THE PRODUCERS A FLOOR PRICE OF 1050 BUT WITH CONDITIONS THAT PRICE INCREASES WOULD GO TO THE PRIVATE SECTOR AND NOT TO THE GOVERNMENT AND THAT THERE WOULD BE NO FURTHER REQUESTS FOR INCREASES IN THE IMMEDIATE FUTURE. ITURRALDE SAID THAT HE LED THE PRODUCERS IN REJECTING THIS PROPOSAL AS AN INVASION OF THE SOVEREIGNTY OF THE PRODUCER COUNTRIES TO DETERMINE FOR THEMSELVES WHETHER THE PRIVATE SECTOR OR THE GOVERNMENT RECEIVES THE BENEFITS OF PRICE INCREASES. HE SAID THAT THE FRENCH PROPOSAL WAS BELIEVED TO HAVE BEEN ORIGINATED BY THE US. HE THEN SAID THE DUTCH PROPOSED 1100 WHICH THE BOLIVIANS WERE PREPARED TO ACCEPT BUT THE CONSUMERS REJECTED THIS

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PAGE 03 LA PAZ 10123 232045Z

ALMOST OUT OF HAND. ITURRALDE MADE POINT THAT LECOUC, THE FRENCH DELEGATE, MADE A TECHNICAL ECONOMIC PRESENTATION SUPPORTING THE VALIDITY OF 1100 AS A FLOOR PRICE BASED ON DATA FOR THE PERIOD 1962-72.

5. ITURRALDE SAYS THAT HE PLANS TO USE THE NEXT FEW MONTHS TO VISIT MAJOR PRODUCER AND CONSUMER COUNTRIES TO PRESENT A FORMULA FOR TYING INCREASES IN COST OF PRODUCTION TO THE BUFFER STOCK PRICING RANGES. HE SAID THAT SMELTERS AND REFINERS HAVE ESCALATOR CLAUSE BY WHICH PRODUCERS ARE REQUIRED TO PAY MORE IF COSTS GO UP SO THAT THE LINKAGE HE WILL PROPOSE IS NOT NEW IN THE TIN MARKET. HE POINTS OUT THAT THE LINKAGE IS NOT TO THE WORLD PRICE OF TIN BUT TO THE BUFFER STOCK RANGES.

6. IN ANOTHER CONVERSATION ROBERTO ARCE, A BOLIVIAN MINING ENGINEER LONG INVOLVED IN INTERNATIONAL MINERALS ACTIVITIES, SAID THAT IT IS UNFORTUNATE THAT THE ITC HAS NOW BECOME A PLACE FOR TOUGH FACE-TO-FACE CONFLICT BETWEEN THE US AND BOLIVIA. HE SAID

THAT THE HISTORY OF ITC DISCUSSIONS HAS ALWAYS BEEN MARKED BY SHARP DISAGREEMENTS BETWEEN CONSUMERS AND PRODUCERS OVER COSTS OF PRODUCTION. HE NOTED WITH SADNESS THAT IT APPEARS THAT THE US WITHIN THE ITC IS MORE NEGATIVE THAN THE OTHER CONSUMING COUNTRIES.

7. MOST BOLIVIANS HAVE SAID TO US PRIVATELY THAT THEY ARE APPREHENSIVE ABOUT US CONGRESSIONAL ACTION ON NEW STOCKPILE LEGISLATURE FOR DISPOSAL IN 1977. THEY FEEL THAT OUR ACTIONS WILL PROVOKE A DROP IN TIN PRICES AND THUS ARE MOST ANXIOUS TO PROTECT THEMSELVES BY HAVING THE BEST POSSIBLE FLOOR PRICE FOR THE BUFFER STOCK.

8. THE EMBASSY APPRECIATES RECEIVING THE DETAILED ECONOMIC DATA ON WHICH THE US DELEGATION BASED ITS POSITION AT THE TIN COUNCIL MEETINGS. WE WILL ATTEMPT TO ANALYZE COST DATA AND BOLIVIAN STATISTICS WITHIN THE NEXT FEW WEEKS. THE TACTICS THAT THE US ADOPTED WHICH ARE SPELLED OUT IN FYI PARA 10 OF REFTTEL STRIKE US AS UNNECESSARILY TOUGHT, INFLEXIBLE, AND WITHOUT CONCERN FOR US CONFIDENTIAL

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PAGE 04 LA PAZ 10123 232045Z

BILATERAL INTERESTS IN THE COUNTRIES WITH WHICH WE HAVE FRIENDLY RELATIONS. ONE WONDERS WHETHER THE TIN COUNCIL, AS ONE OF THE FEW FUNCTIONING PRODUCER-CONSUMER COMMODITY GROUPS, WILL EMERGE STRONGER OR WEAKER AFTER THE DECEMBER MEETINGS.
STEDMAN

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